

From: David Horrocks
To: Microsoft ATR
Date: 1/28/02 7:54pm
Subject: Microsoft Settlement

To: Judge Kollar-Kotally

Re: Microsoft remedy

As an IT professional I am writing to express my concern about the proposed Microsoft settlement. I work extensively with Microsoft at the local level in Philadelphia, and have given considerable thought to their market position. We depend on their products, and to some extent their good graces, for consulting revenue.

I offer these thoughts:

? As an MBA student, I have analyzed Microsoft's channel strategy (document attached). It is clear that market dominance (i.e. monopoly) has led to changes in Microsoft's approach to the channel. The changes are generally not good for those of us on the receiving end. I don't suggest that this is illegal, but offer it as evidence of the effects of monopoly.

? I believe an OS is a natural monopoly and product with a decreasing marginal cost of production would be expected to be, and software's marginal cost of production is pennies per copy. So Microsoft's current monopoly position is not necessarily the result of illegal activity. In fact, I would argue that their product positioning, marketing decisions, and coding talent have been the primary source of their success. Those are all admirable traits.

? Because the OS is a monopoly I would disagree strongly with Microsoft's critics would argue for a breakup. That would not serve the market or the consumers, and would only postpone the natural monopolistic state. One of the split up firms would win eventually.

? But, other natural monopolies are more heavily regulated, such as power delivery. Microsoft should be thoughtfully regulated.

? The proposed settlement is very minimal regulation, and not enough to protect the legitimate competitors Microsoft can, by virtue of its OS position, crush at will.

? I would hope that regulatory oversight would focus on protecting competitors from bundling that leverages the OS position. Force them to sell products rather than bundle them. Clearly bundling is just a means to defending market power.

? Examples of products that could be integrated but ought to be regulated

include: terminal services (Citrix), media services (Real Player), offline storage, virus protection, systems management, and others.

Thank you for your consideration of these issues,
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